Production Sharing Agreement under NELP-VI

1580. SHRIMATI SHOBHANA BHARTIA:
SHRIMATI PREMA CARIAPPA:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Government have determined to sign production sharing contracts for 52 of the 55 oil blocks under the sixth round of bidding of the New Exploration Licensing Policy by mid-January;

(b) if so, the main features of the agreement reached; and

(c) by when they are likely to be implemented?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) Yes, Sir. Government of India signed Production Sharing Contracts (PSCs) in respect of 52 blocks for exploration of oil and gas under sixth round of New Exploration Licensing Policy (NELP-VI) with various Exploration and Production (E&P) companies on 2nd March, 2007.

(b) The contracts were signed on the basis of Model Production Sharing Contract (MPSC), and subsequent negotiations with the awardee companies/consortia. The main features of PSC are as under:

- The possibility of seismic option alone in the first phase of the exploration period.
- Up to 100% participation by foreign companies.
- No minimum expenditure commitment during exploration period.
- No signature, discovery or production bonus.
- No mandatory State participation.
- No carried interest by National Oil Companies (NOCs).
- Income Tax Holiday for seven years from start of commerical production.
- No customs duty on imports required for petroleum operations.
- Biddable cost recovery: (Up to 100%).
- Option to amortise exploration and drilling expenditure over a period of 10 years from first commerical production.

- Sharing of profit petroleum based on pre-tax investment multiple achieved by the contractor.
- Royalty for onland areas payable at the rate of 12.5% for crude oil and 10% for natural gas. For offshore areas, royalty payable at the rate of 10% for oil and natural gas.

(c) Exploration period is 7 years for onland and shallow water blocks and 8 years for onland frontier and deepwater blocks after award of Petroleum Exploration License (PEL) in respective blocks.

Oil/Gas exploration in KG Basin

1581. SHRI C. RAMACHANDRAIAH: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether ONGC propose to set up refinery projects and SEZ in the KG Basin region;

(b) if so, the details thereof; and

(c) the details of gas/oil bearing blocks in the basin explored so far, number of blocks that would come under exploration in the next three years, public and private companies involved in exploration, the revenue sharing mechanism with the State of Andhra Pradesh and gas/oil and revenue provided to the State in the last three years and the unpaid arrears, if any?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) and (b) Oil Natural Gas Corporation (ONGC) is exploring the feasibility of setting up of an export oriented refinery at Kakinada in Andhra Pradesh through its subsidiary, Mangalore Refinery and Petrochemicals Limited (MRPL). In order to facilitate creation of necessary infrastructure for setting up of refinery and exploration of gas reserves in KG basin and avail the fiscal benefits of locating units in Special Economic Zones (SEZs), MRPL is also examining the feasibility of setting up of a SEZ at Kakinada in Andhra Pradesh.

Two Special Purpose Vehicles namely "Kakinada Special Economic Zone Limited (KSEZ)" and "Kakinada Refinery and Petrochemicals Limited (KRPL)" have been incorporated.